

Message Text

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AMCONSUL NAPLES

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TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

REF: ROME 2925

PASS TREASURY AND FRB

1. SUMMARY. BALANCE OF PAYMENTS FOR FIRST HALF FEBRUARY

REGISTERED SURPLUS OF \$68.7 MILLION. 1975 BALANCE OF

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PAYMENTS THROUGH MID-FEBRUARY SHOWED \$314.8 DEFICIT.

NET MARKET INTERVENTION DURING FIRST HALF OF FEBRUARY WAS PLUS \$57 MILLION AND FOR FULL MONTH WAS PLUS 115 MILLION. BANK OF ITALY REPAYMENT OF MARCH 5 OF \$500 MILLION OF GERMAN GOLD COLLATERAL LOAN, FINAL DRAWING ON IMF STANDBY ON MARCH 3, AND LAPSE OF C\$250 MILLION SWAP LINE WITH CANADA WERE MAJOR RECENT ITEMS OF INTEREST. END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR FIRST HALF FEBRUARY RECORD SURPLUS OF \$68.7 MILLION. CHANGES IN RESERVES DURING PERIOD WERE INCREASE IN BOI CONVERTIBLE CURRENCY HOLDINGS OF \$41.2 MILLION, DECREASE IN COMMERCIAL BANKS NET FOREIGN LIABILITIES BY \$25.9 MILLION, DECREASE IN BOI SHORT-TERM LIABILITIES BY \$6.3 MILLION, INCREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES BY \$5.7 MILLION, AND INCREASE IN BOI SDR HOLDINGS BY \$1.0 MILLION.

3. NET EXCHANGE MARKET INTERVENTION IN FIRST HALF FEBRUARY RESULTED IN NET GAIN OF \$57 MILLION. DRAGAGNA, HEAD OF BOI FOREIGN DEPARTMENT, INDICATED THAT NET INTERVENTION IN FEBRUARY WAS APPROXIMATELY PLUS \$115 MILLION AND THAT DURING THE FIRST 2 DAYS OF MARCH IT TOTALED MINUS \$22 MILLION. HE ESTIMATED THAT APPROXIMATELY \$108 MILLION IN INTEREST WAS PAID IN FEBRUARY ON ITALY'S FOREIGN DEBT. THESE FIGURES SUGGEST THAT BALANCE OF PAYMENTS FOR ALL OF FEBRUARY WAS PROBABLY APPROXIMATELY IN BALANCE.

4. DRAGAGNA SAID DECISION TO MAKE \$500 MILLION REPAYMENT ON GERMAN GOLD COLLATERAL LOAN (SEE REF FOR DETAILS) WAS PARTLY MOTIVATED BY FAVORABLE PSYCHOLOGICAL IMPACT WHICH SUCH A MOVE WOULD HAVE ON FOREIGN CREDITORS, ALTHOUGH DECISION WAS ALSO BASED ON REAL IMPROVEMENT IN ITALIAN BALANCE OF PAYMENTS POSITION. DRAGAGNA ALSO SAID THAT DURING FEBRUARY, THE ITALIAN AUTHORITIES ALLOWED THE 250 MILLION (CANADIAN DOLLAR) SWAP LINE WITH CANADA TO LAPSE AND THAT FIRST NATIONAL CITY BANK BRANCH IN MILAN EITHER MADE (OR WAS ABOUT TO MAKE) REPAYMENT OF \$50 MILLION ON EARLIER \$300 MILLION CREDIT GRANTED BY HOME OFFICE. (THIS CREDIT WOULD BE RECORDED IN SHORT-TERM POSITION OF COMMERCIAL BANKS.) HE EMPHASIZED TO TREASATT THAT ITALY STILL HAS \$3 BILLION SWAP LINE WITH US FEDERAL RESERVE WHICH COULD BE LIMITED OFFICIAL USE

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DRAWN UPON AT ANY TIME, \$500 MILLION SWAP WITH THE GERMAN BUNDESBANK, AND \$250 MILLION SWAP WITH THE SWISS NATIONAL BANK. HE ADDED THAT THE ITALIAN DRAWING FROM THE IMF OIL FACILITY OF APPROXIMATELY \$380 MILLION WAS MADE ON MARCH 3.

5. ON MARCH 4, FOLLOWING FINANCIAL RATES PREVAILED. LIRE EXCHANGE RATE WAS 628.55 LIRE PER DOLLAR. THREE-MONTH

FORWARD RATE WAS 636.80 LIRE PER DOLLAR. WEIGHTED AVERAGE
DEVALUATION OF LIRA, ACCORDING TO BOI INDEX, WAS 21.84
PERCENT COMPARED TO FEBRUARY 9, 1973 BASE PERIOD. BLACK
MARKET RATE IN MILAN WAS 640 LIRE PER DOLLAR. THREE-
MONTH EUROLIRA INTEREST RATE WAS 12 5/8 PERCENT. LIRA
INTERBANK FORTY-EIGHT HOUR RATE WAS 11.75, AND THREE-MONTH
RATE WAS 11.875. VOLPE

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